

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Charter Township of Rutland
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended December 31, 2004

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Rutland, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charter Township of Rutland, Michigan, as of December 31, 2004, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Charter Township of Rutland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charter Township of Rutland, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2004.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, on pages 21 - 24, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Charter Township of Rutland, Michigan
Page 2

The Charter Township of Rutland, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

March 15, 2005

BASIC FINANCIAL STATEMENTS

Charter Township of Rutland
STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 627,387
Receivables (net)	492,514
Prepaid expenses	<u>4,723</u>
Total current assets	<u>1,124,624</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>349,549</u>
Total assets	<u>1,474,173</u>
LIABILITIES	
Current liabilities:	
Payables	137,598
Deferred revenue	<u>497,960</u>
Total current liabilities	<u>635,558</u>
NET ASSETS	
Invested in capital assets	349,549
Restricted:	
Public safety	159,575
Public works	17,699
Culture and recreation	16
Unrestricted	<u>311,776</u>
Total net assets	<u>\$ 838,615</u>

See notes to financial statements

Charter Township of Rutland
STATEMENT OF ACTIVITIES
Year ended December 31, 2004

	<u>Program Revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 4,270	\$ -	\$ -	\$ (4,270)
General government	278,766	4,700	-	(274,066)
Public safety	204,919	42,398	-	(162,521)
Public works	198,513	87,057	3,409	(108,047)
Community and economic development	39,404	10,441	-	(28,963)
Culture and recreation	<u>155,397</u>	<u>-</u>	<u>-</u>	<u>(155,397)</u>
Total governmental activities	<u>\$ 881,269</u>	<u>\$ 144,596</u>	<u>\$ 3,409</u>	<u>(733,264)</u>
General revenues:				
Taxes				373,093
State grants				245,221
Franchise fees				2,295
Investment income				6,630
Other				<u>1,225</u>
Total general revenues				<u>628,464</u>
Change in net assets				(104,800)
Net assets - beginning				<u>943,415</u>
Net assets - ending				<u>\$ 838,615</u>

See notes to financial statements

Charter Township of Rutland
BALANCE SHEET - governmental funds
December 31, 2004

	<u>General</u>	<u>Fire</u>	<u>Library</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 308,881	\$ 247,926	\$ 33,531	\$ 37,049	\$ 627,387
Receivables	187,247	84,233	132,380	88,654	492,514
Prepaid expenses	4,723	-	-	-	4,723
Total assets	<u>\$ 500,851</u>	<u>\$ 332,159</u>	<u>\$ 165,911</u>	<u>\$ 125,703</u>	<u>\$ 1,124,624</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 70,573	\$ 67,025	\$ -	\$ -	\$ 137,598
Due to other funds	21,914	-	-	-	21,914
Deferred revenue	<u>118,502</u>	<u>105,559</u>	<u>165,895</u>	<u>108,004</u>	<u>497,960</u>
Total liabilities	<u>210,989</u>	<u>172,584</u>	<u>165,895</u>	<u>108,004</u>	<u>657,472</u>
Fund balances:					
Unreserved, undesignated	<u>289,862</u>	<u>159,575</u>	<u>16</u>	<u>17,699</u>	467,152
Total liabilities and fund balances	<u>\$ 500,851</u>	<u>\$ 332,159</u>	<u>\$ 165,911</u>	<u>\$ 125,703</u>	

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

349,549

Net assets of the Building Inspections Fund that have been combined with those of *governmental activities*.

21,914

Net assets of *governmental activities*

\$ 838,615

See notes to financial statements

Charter Township of Rutland

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended December 31, 2004

	<u>General</u>	<u>Fire</u>	<u>Library</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 119,512	\$ 98,168	\$ 155,413	\$ -	\$ 373,093
Licenses and permits	10,736	-	-	-	10,736
State grants	248,630	-	-	-	248,630
Charges for services	9,456	-	-	15,500	24,956
Fines and forfeitures	267	-	-	-	267
Interest	4,203	1,745	-	682	6,630
Other	1,225	-	-	68,801	70,026
Total revenues	<u>394,029</u>	<u>99,913</u>	<u>155,413</u>	<u>84,983</u>	<u>734,338</u>
EXPENDITURES					
Legislative	4,270	-	-	-	4,270
General government	265,329	-	-	-	265,329
Public safety	24,624	133,119	-	-	157,743
Public works	124,416	-	-	74,097	198,513
Community and economic development	39,404	-	-	-	39,404
Culture and recreation	-	-	155,397	-	155,397
Capital outlay	1,050	-	-	-	1,050
Total expenditures	<u>459,093</u>	<u>133,119</u>	<u>155,397</u>	<u>74,097</u>	<u>821,706</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(65,064)</u>	<u>(33,206)</u>	<u>16</u>	<u>10,886</u>	<u>(87,368)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	658	-	-	13,956	14,614
Transfers out	-	-	-	(14,614)	(14,614)
Total other sources (uses)	<u>658</u>	<u>-</u>	<u>-</u>	<u>(658)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(64,406)</u>	<u>(33,206)</u>	<u>16</u>	<u>10,228</u>	<u>(87,368)</u>
FUND BALANCES - BEGINNING	<u>354,268</u>	<u>192,781</u>	<u>-</u>	<u>7,471</u>	<u>554,520</u>
FUND BALANCES - ENDING	<u>\$ 289,862</u>	<u>\$ 159,575</u>	<u>\$ 16</u>	<u>\$ 17,699</u>	<u>\$ 467,152</u>
Net change in fund balances - total governmental funds					\$ (87,368)

Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation \$(14,250) exceeded capital outlays \$(1,863) in the current period. \$ (12,387)

Change in net assets of the Building Inspections Fund that have been combined with those of the *governmental activities*. (5,045)

Change in net assets of *governmental activities* \$ (104,800)

See notes to financial statements

Charter Township of Rutland
STATEMENT OF NET ASSETS - *proprietary fund*
December 31, 2004

	<u>Building Inspections</u>
ASSETS	
Due from other funds	\$ <u>21,914</u>
 NET ASSETS - unrestricted	 \$ 21,914
 Amounts reported for business-type activities in the government-wide statement of net assets (page 4) are different because:	
 Assets and liabilities of the Building Inspections Fund have been combined with those of <i>governmental activities</i> .	
	<u>(21,914)</u>
 Net assets of business-type activities	 \$ <u>-</u>

See notes to financial statements

Charter Township of Rutland

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
proprietary fund**

Year ended December 31, 2004

	<u>Building Inspections</u>
OPERATING REVENUES	
Charges for services - licenses and permits	\$ 42,131
OPERATING EXPENSES	
Salaries and fringe benefits	45,595
Office supplies and utilities	<u>1,581</u>
Total operating expenses	<u>47,176</u>
CHANGE IN NET ASSETS	(5,045)
NET ASSETS - BEGINNING	<u>26,959</u>
NET ASSETS - ENDING	<u>\$ 21,914</u>
CHANGE IN NET ASSETS	\$ (5,045)
Amounts reported for business-type activities in the government-wide statement of activities (page 5) are different because:	
Revenues and expenses of the Building Inspections Fund have been combined with those of the <i>governmental activities</i> .	
	<u>5,045</u>
Change in net assets of business-type activities	<u>\$ -</u>

See notes to financial statements

Charter Township of Rutland
STATEMENT OF CASH FLOWS - *proprietary fund*
Year ended December 31, 2004

	<u><i>Building Inspections</i></u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 42,131
Payments for salaries and fringe benefits	(45,595)
Payments for goods and services	<u>(1,581)</u>
Net cash used in operating activities	(5,045)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Decrease in due from other funds	<u>5,045</u>
NET INCREASE IN CASH	-
CASH - BEGINNING	<u>-</u>
CASH - ENDING	<u><u>\$ -</u></u>

See notes to financial statements

Charter Township of Rutland

STATEMENT OF FIDUCIARY NET ASSETS - *agency fund*

December 31, 2004

ASSETS

Cash	<u>\$ 302,665</u>
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LIABILITIES

Payables	<u>\$ 302,665</u>
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See notes to financial statements

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Rutland, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township's fire protection contract. Revenues are primarily derived from property taxes.

The Library Fund accounts for the Township's portion of the operational costs of Hastings Public Library. Revenues are primarily derived from property taxes.

The Township reports a single proprietary fund, Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Roads	10 - 30 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity (continued):*

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$ 100,500	\$ 124,416	\$ (23,916)
Revolving Improvement	Other financing uses	-	13,956	(13,956)
Podunk Weed	Public works	12,700	13,956	(1,256)

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	<u>\$ 627,387</u>	<u>\$ 302,665</u>	<u>\$ 930,052</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At December 31, 2004, the Township has deposits with a carrying amount of \$930,052 and a bank balance of \$1,036,413. Of the bank balance, \$464,374 is covered by federal depository insurance and \$572,039 is uninsured.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 6,261	\$ 96,304	\$ -	\$ 84,682	\$ 187,247
Fire	-	84,233	-	-	84,233
Library	-	132,380	-	-	132,380
Road	-	-	35,784	-	35,784
Podunk Weed	-	-	10,050	-	10,050
Algonquin Weed	-	-	42,820	-	42,820
Totals	<u>\$ 6,261</u>	<u>\$ 312,917</u>	<u>\$ 88,654</u>	<u>\$ 84,682</u>	<u>\$ 492,514</u>

All receivables are considered fully collectible and due within one year.

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Property taxes Unearned</u>	<u>Special assessments Unearned</u>	<u>Total</u>
General	\$ 118,502	\$ -	\$ 118,502
Fire	105,559	-	105,559
Library	165,895	-	165,895
Road	-	35,784	35,784
Podunk Weed	-	12,450	12,450
Algonquin Weed	-	59,770	59,770
Totals	<u>\$ 389,956</u>	<u>\$ 108,004</u>	<u>\$ 497,960</u>

NOTE 5 - PROPERTY TAXES:

The Township property taxes are levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - PROPERTY TAXES (Continued):

The 2004 taxable valuation of the Township totaled \$387,366,030, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.7787	Operating	\$ 84,967
Fire	0.9674	Operating	105,558
Library	1.5203	Operating	165,895

These amounts are recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 47,000	\$ -	\$ -	\$ 47,000
Capital assets being depreciated:				
Land improvements	15,201	-	-	15,201
Buildings	353,462	-	-	353,462
Equipment	59,018	1,863	-	60,881
Subtotal	427,681	1,863	-	429,544
Less accumulated depreciation for:				
Land improvements	1,192	740	-	1,932
Buildings	69,112	8,855	-	77,967
Equipment	42,441	4,655	-	47,096
Subtotal	112,745	14,250	-	126,995
Total capital assets being depreciated (net)	314,936	(12,387)	-	302,549
Governmental activities capital assets, net	\$ 361,936	\$ (12,387)	\$ -	\$ 349,549

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	<u>\$ 14,250</u>

NOTE 7 - PAYABLES:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 10,773	\$ 59,800	\$ 70,573
Fire	<u>-</u>	<u>67,025</u>	<u>67,025</u>
Total	<u>\$ 10,773</u>	<u>\$ 126,825</u>	<u>\$ 137,598</u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At December 31, 2004, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Building Inspections	<u>\$ 21,914</u>	General	<u>\$ 21,914</u>

A summary of interfund transfers for the year ended December 31, 2004, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Podunk Weed	<u>\$ 13,956</u>	Revolving Improvement	<u>\$ 13,956</u>
General	<u>\$ 658</u>	Street Lighting	<u>\$ 658</u>

The transfer to the Podunk Weed Fund represents an equity transfer to cover the operational costs of the public works function prior to the collection of special assessments levied against the district.

The transfer to the General Fund represents restricted revenues collected in the Street Lighting Fund to pay for operational costs of the public works functions accounted for in the General Fund.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all elected officials and hourly employees (over 30 hours per week). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 20% of each qualified employee's base salary to the plan. The eligible employees may make a voluntary, non-deductible contribution up to a maximum of 5% of their annual compensation. The Township's contributions are fully vested immediately. The Township and eligible employees made the required contributions of \$21,274 and \$5,318, respectively, for the year ended December 31, 2004.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 11 - JOINT VENTURE:

The Township, together with the Townships of Baltimore, Irving, Carlton, and Hastings, has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967, known as the BIRCH Fire Association (the Association). Membership does not convey an economic interest. The Association's agreement provides that the department's activities are financed as follows:

Each Township shall pay an amount equal to an agreed millage rate which shall be identical for all Townships. Once the millage has been determined, the amount of money representing the millage in each Township can be raised by any means available to each Township and does not have to be spread upon the tax roll as an assessment.

The Township contributed \$133,119 to the Association as its share of expense during 2004.

Charter Township of Rutland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2004 that resulted in fund balance restatements. Fund equity as of January 1, 2004, included in the financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Fund balance</u>
Fire Fund:	
Beginning of year, as previously reported	\$ 258,874
Prior period adjustment - overstatement of amounts due to fire joint venture	<u>66,093</u>
Beginning of year, as restated	<u>\$ 324,967</u>

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective January 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets as previously reported:	
General and special revenue funds	\$ 554,520
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	361,936
Net assets of the Building Inspections Fund	<u>26,959</u>
Net assets, as restated	<u>\$ 943,415</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Rutland
BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 108,770	\$ 108,770	\$ 119,512	\$ 10,742
Licenses and permits	36,500	36,500	10,736	(25,764)
State grants	270,500	270,500	248,630	(21,870)
Charges for services	5,200	5,200	9,456	4,256
Fines and forfeitures	-	-	267	267
Interest	9,000	9,000	4,203	(4,797)
Other	200	200	1,225	1,025
Total revenues	<u>430,170</u>	<u>430,170</u>	<u>394,029</u>	<u>(36,141)</u>
EXPENDITURES				
Legislative	<u>6,000</u>	<u>6,000</u>	<u>4,270</u>	<u>1,730</u>
General government:				
Supervisor	21,600	21,600	26,400	(4,800)
Election	4,600	4,600	3,610	990
Assessor	35,450	35,450	42,634	(7,184)
Clerk	41,420	41,420	47,268	(5,848)
Board of review	1,500	1,500	940	560
Treasurer	26,500	26,500	28,950	(2,450)
Hall and grounds	18,300	18,300	15,973	2,327
Cemetery	12,900	12,900	13,223	(323)
Other	<u>111,290</u>	<u>111,290</u>	<u>86,331</u>	<u>24,959</u>
Total general government	<u>273,560</u>	<u>273,560</u>	<u>265,329</u>	<u>8,231</u>
Public safety:				
Police	<u>27,500</u>	<u>27,500</u>	<u>24,624</u>	<u>2,876</u>
Public works:				
Highways and streets	100,000	100,000	123,920	(23,920)
Street lights	<u>500</u>	<u>500</u>	<u>496</u>	<u>4</u>
Total public works	<u>100,500</u>	<u>100,500</u>	<u>124,416</u>	<u>(23,916)</u>
Community and economic development - planning and zoning	<u>49,060</u>	<u>49,060</u>	<u>39,404</u>	<u>9,656</u>

Charter Township of Rutland**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (continued)				
Capital outlay	\$ 1,000	\$ 1,000	\$ 1,050	\$ (50)
Total expenditures	<u>457,620</u>	<u>457,620</u>	<u>459,093</u>	<u>(1,473)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(27,450)	(27,450)	(65,064)	(37,614)
OTHER FINANCING SOURCES				
Operating transfer in - Street Lighting Fund	<u>-</u>	<u>-</u>	<u>658</u>	<u>658</u>
NET CHANGE IN FUND BALANCE	(27,450)	(27,450)	(64,406)	(36,956)
FUND BALANCES - BEGINNING	<u>354,268</u>	<u>354,268</u>	<u>354,268</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 326,818</u>	<u>\$ 326,818</u>	<u>\$ 289,862</u>	<u>\$ (36,956)</u>

Charter Township of Rutland**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Fire Fund***Year ended December 31, 2004*

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 98,367	\$ 98,367	\$ 98,168	\$ (199)
Interest	<u>-</u>	<u>-</u>	<u>1,745</u>	<u>1,745</u>
Total revenues	<u>98,367</u>	<u>98,367</u>	<u>99,913</u>	<u>1,546</u>
EXPENDITURES				
Public Safety	<u>138,796</u>	<u>138,796</u>	<u>133,119</u>	<u>5,677</u>
NET CHANGE IN FUND BALANCE	(40,429)	(40,429)	(33,206)	7,223
FUND BALANCE - BEGINNING	<u>192,781</u>	<u>192,781</u>	<u>192,781</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 152,352</u>	<u>\$ 152,352</u>	<u>\$ 159,575</u>	<u>\$ 7,223</u>

Charter Township of Rutland

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Library Fund***

Year ended December 31, 2004

	<u><i>Original budget</i></u>	<u><i>Amended budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES				
Taxes	\$ 155,726	\$ 155,726	\$ 155,413	\$ (313)
EXPENDITURES				
Recreation and culture	<u>155,726</u>	<u>155,726</u>	<u>155,397</u>	<u>329</u>
NET CHANGE IN FUND BALANCE	-	-	16	16
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 16</u>

SUPPLEMENTARY INFORMATION

Charter Township of Rutland
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2004

	<i>Special revenue funds</i>			
	<i>Road</i>	<i>Revolving Improvement</i>	<i>Sewer</i>	<i>Street Lighting</i>
ASSETS				
Cash	\$ 9,542	\$ 1,646	\$ 2,260	\$ 1,944
Receivables	<u>35,784</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 45,326</u>	<u>\$ 1,646</u>	<u>\$ 2,260</u>	<u>\$ 1,944</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deferred revenue	<u>\$ 35,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:				
Unreserved, undesignated	<u>9,542</u>	<u>1,646</u>	<u>2,260</u>	<u>1,944</u>
Total liabilities and fund balance	<u>\$ 45,326</u>	<u>\$ 1,646</u>	<u>\$ 2,260</u>	<u>\$ 1,944</u>

<u>Podunk Weed</u>	<u>Algonquin Weed</u>	<u>Total</u>
\$ 2,400	\$ 19,257	\$ 37,049
<u>10,050</u>	<u>42,820</u>	<u>88,654</u>
<u>\$ 12,450</u>	<u>\$ 62,077</u>	<u>\$ 125,703</u>
<u>\$ 12,450</u>	<u>\$ 59,770</u>	<u>\$ 108,004</u>
<u>-</u>	<u>2,307</u>	<u>17,699</u>
<u>\$ 12,450</u>	<u>\$ 62,077</u>	<u>\$ 125,703</u>

Charter Township of Rutland**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2004

	Special revenue funds			
	<u>Road</u>	<u>Revolving Improvement</u>	<u>Sewer</u>	<u>Street Lighting</u>
REVENUES				
Charges for service	\$ -	\$ 15,500	\$ -	\$ -
Interest	-	102	534	28
Other - special assessments	<u>8,349</u>	<u>-</u>	<u>-</u>	<u>682</u>
Total revenues	<u>8,349</u>	<u>15,602</u>	<u>534</u>	<u>710</u>
EXPENDITURES				
Public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>650</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,349	15,602	534	60
OTHER FINANCING SOURCES (USES)				
Operating transfer in	-	-	-	-
Operating transfer out	<u>-</u>	<u>(13,956)</u>	<u>-</u>	<u>(658)</u>
Total other financing sources (uses)	<u>-</u>	<u>(13,956)</u>	<u>-</u>	<u>(658)</u>
NET CHANGES IN FUND BALANCES	8,349	1,646	534	(598)
FUND BALANCE - BEGINNING	<u>1,193</u>	<u>-</u>	<u>1,726</u>	<u>2,542</u>
FUND BALANCE - ENDING	<u>\$ 9,542</u>	<u>\$ 1,646</u>	<u>\$ 2,260</u>	<u>\$ 1,944</u>

<u>Podunk Weed</u>	<u>Algonquin Weed</u>	<u>Total</u>
\$ -	\$ -	\$ 15,500
-	18	682
-	59,770	68,801
-	59,788	84,983
13,956	59,491	74,097
(13,956)	297	10,886
13,956	-	13,956
-	-	(14,614)
13,956	-	(658)
-	297	10,228
-	2,010	7,471
<u>\$ -</u>	<u>\$ 2,307</u>	<u>\$ 17,699</u>